

Information Request AG-2-5

Has Dr. Parmesano presented testimony supporting a marginal cost of service study or studies to be used in the design of electric utility rates? If yes, please provide a copy of the studies, the related testimony and the related regulatory commission orders.

Response

Yes. The Company objects to providing copies of all such testimony and studies because it is overly burdensome given the very large number (in excess of 40) of such testimonies provided over the years. However, during the past five years, Dr. Parmesano has presented such testimony only once. A copy of testimony and marginal cost studies for Rochester Gas and Electric in Case 02-E-0198 is attached. The NYPSC's various orders related to this case are available on their website at [<http://www3.dps.state.ny.us/pscweb/WebFileRoom.nsf/Page?OpenForm>]. See, for example, the March 7, 2003 Order.

Information Request AG-2-6

Refer to Exhibit NSTAR-HSP-1, p. 10, lines 3-5. If transmission costs are an issue in this case, how would you incorporate transmission costs into the standby rates? Is Dr. Parmesano familiar with the Companies' transmission rate structure and that it collects all transmission costs (for both regional service and local service provided by the Companies' own transmission facilities) from its retail customers on fully reconciled cost pass through basis? If yes, does the Companies' transmission rate structure affect how standby rates should be designed? If yes, how?

Response

In general, transmission costs should be recovered from retail customers on a usage basis (maximum demand or energy). Dr. Parmesano recommends transmission charges for both standby and continuous-use customers that reflect the structure and pattern of transmission costs. Dr. Parmesano is not familiar with the Companies' transmission cost structure or the form in which the Companies recover transmission costs from their retail customers.

Information Request AG-2-7

Refer to Exhibit NSTAR-HSP-1, p. 10, lines 21-23. Please explain, in detail, why substation costs may be appropriately collected through “time differentiated charges based on use.” Discuss how these facilities are “expanded as needed.” Include the time frame needed to “expand” these facilities. Does Dr. Parmesano consider substation costs variable costs?

Response

Substation capacity is added as peak load in the area served by the substation grows. There is more diversity at the substation level than as one gets closer to the customer meter on the distribution system. The proposed ratemaking accounts for this distinction based upon the usage charge developed in the standby rate design.

Thus, it is important to signal to consumers that their decision to consume more in hours when the local substation(s) is near full capacity may trigger the need for additional investment. Consumption in other hours may not create the need for additional substation capacity.

Substation capacity can be expanded by several means including adding transformer banks to existing stations, rerouting feeders from an overloaded station to one with spare capacity, and building new stations.

Dr. Parmesano is not closely familiar with the timing required to expand substation capacity; however, it is her understanding that many at least some of the measures that expand capacity can be accomplished within a year.

Dr. Parmesano considers substation costs to be variable in the near-term because growth in local peaks leads to additional substation investment.

Information Request AG-3-7

Refer to Exhibit NSTAR-CPS-1, page 11. Does MIT export any power from its generator? If yes, what have been the kWh exports for each year since the unit came on line? Is this power purchased by Cambridge Electric or by NSTAR? Is the power transported on Cambridge Electric distribution system? Is the power transported on the Cambridge Electric transmission system? Does Cambridge Electric provide reactive power to MIT? If yes, provide the terms and conditions of these transactions, including the pricing provisions. Is MIT a Standard Offer, Default Service or competitively supplied energy customer?

Response

MIT does not export any power to the Cambridge system. Cambridge does not normally provide reactive power to MIT when its generating unit is running. NSTAR Electric would need to support both real and reactive power supplies any time its generation is unavailable or if the unit suddenly trips off line. MIT is a Standard Offer service customer when taking generation service from Cambridge.

Information Request AG-3-9

Refer to Exhibit NSTAR-HCL-7, page 29. Please provide all analyses, studies, calculations and assumptions supporting the Companies' decision to submit new standby tariffs that "reflect an as used demand charge for standby service for customers having DG units" because that recognizes the load diversity at the substation level. If no NSTAR specific studies, analyses or data were relied upon, please explain how the material and documents used have been shown to be representative of each of the Companies' systems.

Response

The Companies based the decision to incorporate an "as used" demand charge in their standby tariffs to recover distribution substation costs in accordance with their planning process, as presented in the testimony of Mr. Salamone, which describes the way the Companies plan substation capacity additions. The Companies used the proportion of substation plant investment to total distribution capacity investment to determine the reduction in contract demand prices in order to reflect recovery of substation costs on an "as used" pricing basis.